



# ADOPTED

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

#21 NOVEMBER 29, 2011

*Sachi A. Hamai*  
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November 29, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF AMENDMENT TO PHARMACY BENEFIT MANAGEMENT  
SERVICES AGREEMENT  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval to extend the term of the Community Health Plan Pharmacy Benefit Management Services Agreement, No. H-207932, with informedRX, Inc., for pharmacy benefit management services to the Office of Managed Care/Community Health Plan.

**IT IS RECOMMENDED THAT YOUR BOARD:**

- 1) Authorize the Director of Health Services (Director), or his designee, to execute Amendment No. 9 to Agreement No. H-207932 with informedRX, Inc. (iRX), to extend the agreement effective upon Board approval, from January 1, 2012 through September 30, 2012, for the continued provision of Pharmacy Benefit Management (PBM) Services for members of the Department of Health Services' (DHS) Office of Managed Care/Community Health Plan (CHP), at an estimated cost of \$1.5 million.
- 2) Delegate authority to the Director, or his designee, to execute a future amendment to the Agreement to extend the term for a period not to exceed three months, if necessary, subject to review and approval by County Counsel, with notification to your Board and the Chief Executive Office (CEO).

## **PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On March 29, 2011, your Board approved my policy recommendation that DHS transition the CHP staff to serve as the Medical Service Organization for DHS, concentrate DHS resources on being the key provider of health care for Medi-Cal and uninsured populations in Los Angeles County, and transition all lines of business from the CHP to L.A. Care to assume all health plan functions, such transition occurring gradually, over the subsequent year.

As a result, the Medi-Cal Managed Care Program (MMCP) and the In-Home Supportive Services (IHSS) product lines are anticipated to transition to L.A. Care by December 31, 2011 and February 1, 2012 respectively, and the Healthy Families Program (HFP) will transition to L.A. Care by September 30, 2012. In the interim, CHP is responsible to ensure that the medical needs of its members, in this case access to prescription medications, are met through the continuity of PBM services.

Approval of the first recommendation will allow the Director, or his designee, to execute an Amendment, substantially similar to Exhibit I, to the PBM Services Agreement with informedRX, Inc., to allow for CHP's members to receive uninterrupted pharmacy services until the program is transferred from CHP to L.A. Care. The current Agreement is slated to expire on December 31, 2011.

It is estimated that approximately 109,000 prescriptions will be dispersed to CHP members between January 1, 2012 and September 30, 2012. It is also estimated that approximately 31,000 prescriptions will be dispersed to IHSS members for the month of January 2012. This estimated volume of prescriptions to be dispersed is too great for DHS pharmacies to effectively manage as DHS pharmacies lack the resources to service all CHP member prescription needs.

Approval of the second recommendation will allow for this Agreement to be extended for a period not to exceed three months, in the event that there are delays in the transition of CHP membership to L.A. Care, or as otherwise deemed necessary by the Director. Such an extension will be subject to review and approval by County Counsel, with notice to your Board and the CEO.

## **Implementation of Strategic Plan Goals**

The recommended actions support Goal 4, Health and Mental Health, of the County's Strategic Plan.

## **FISCAL IMPACT/FINANCING**

The County's total estimated cost is \$1.5 million, from January 1, 2012 through September 30, 2012. Funding is fully offset by premiums received from the State's Managed Risk Medical Insurance Board (MRMIB) for HFP and the Personal Assistance Services Council (PASC) for the In-Home Supportive Services (IHSS) - Service Employee International Union (SEIU) Homecare Workers Health Care Plan members.

The rates are confidential and on file with the Office of Managed Care. The payment rates have been shared with each Board Office, the CEO, and County Counsel. The current rates will remain the same during the extension period of this amendment.

Funding and offsetting revenue is included in the DHS Fiscal Year 2011-12 Final Budget, and will be

requested for the subsequent fiscal year.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The PBM Services performed by informedRX allow CHP to manage its members' pharmacy needs. These services include, but are not limited to: 1) patient medications through a network of private and County pharmacies; 2) administrative management; 3) procurement of patient medications from drug manufacturers and providers at discounted prices; 4) processing of claims for payment of prescriptions for plan members; 5) promoting cost-effective medication utilization by offering lower-cost generics to members, 6) saving on brand medications which have higher pharmacoeconomic value; 7) on-line claims processing and adjudication for the CHP pharmacy network; 8) claims monitoring; and 9) provision of various administrative, financial and drug utilization reports.

On November 19, 2002, your Board approved a sole source Agreement for the provision of pharmaceutical benefit management services for CHP and its countywide pharmacy network with Pharmaceutical Care Network (PCN).

On June 29, 2004, your Board approved Amendment No. 1 for the extension of pharmaceutical benefit management services through June 30, 2007. Subsequently, on June 21, 2005, your Board approved Amendment No. 2 delegating the duties and assigning the rights of PCN to National Medical Health Card Systems, Inc. (NMHCS).

On June 19, 2007, your Board approved Amendment No. 3 to the Agreement for the extension of pharmaceutical benefit management services through June 30, 2009, and to grant to the Director delegated authority to execute future Amendments through the term of the Agreement to incorporate new or revised County standard provisions, make appropriate changes to the Agreement to improve clarity and/or correct errors and omissions, and adjust rates as appropriate to conform with industry guidelines and practices.

On September 24, 2008, the Director exercised the authority granted by the Board on June 12, 2007 to execute Amendment No. 4 to the Agreement delegating the duties and assigning the rights of the Agreement with NMHCS to SXC Health Solutions (SXC) as a result of NMHCS' acquisition by SXC, with a registered name change of NMHC to informedRX.

Subsequent amendments Nos. 5 through 8 have been approved to extend the term of services, modify language, and adjust rates to be consistent with industry standards.

As stated earlier, the County is in the process of transitioning its CHP members to L.A. Care. As a result, the MMCP and the IHSS product lines will transition to L.A. Care by December 31, 2011 and February 1, 2012 respectively, and the HFP will transition to L.A. Care by September 30, 2012.

In addition to extending the Agreement term, Amendment No. 9 modifies paragraph 3.A., the Without Cause Termination clause of the Agreement to shorten the required period for written notification of termination without cause from 180 days to 90 days. This modification resulted in light of the timeline for transition of CHP to L.A. Care. Other Board-required contractual provisions have been added or updated, including Failure to Maintain Insurance, Cancellation Of or Changes In Insurance, and Contractor's Charitable Activities Compliance.

County Counsel has approved Exhibit I as to use and form.

**CONTRACTING PROCESS**

N/A.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommended actions will ensure continuity of medically necessary treatment by allowing CHP members to receive pharmaceutical services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.  
Director

MHK:ss

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

EXHIBIT I

Contract # H-207932-9

COMMUNITY HEALTH PLAN  
PHARMACY BENEFIT MANAGEMENT SERVICES

Amendment No. 9

THIS AMENDMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2011

by and between

COUNTY OF LOS ANGELES  
(hereafter "County"),

and

INFORMEDRX, INC. (hereafter "IRX")

WHEREAS, reference is made to that certain document entitled "COMMUNITY HEALTH PLAN PHARMACY BENEFIT MANAGEMENT SERVICES AGREEMENT", dated November 19, 2002, herein further identified as County Agreement No. H-207932 and any amendments thereto (all hereafter "Agreement"); and

WHEREAS, Agreement is slated to expire on December 31, 2011; and

WHEREAS, the parties acknowledge that all lines of business serviced by this agreement shall transition from the County's Community Health Plan to L.A. Care Health Plan by September 30, 2012 in the following order: Medi-Cal Managed Care Program (December 31, 2011), In-Home Supportive Services (no later than March 31, 2012) and Healthy Families Program (September 30, 2012); and

WHEREAS, Agreement provides that changes may be made in the form of a written amendment which is formally approved and executed by both parties.

NOW, THEREFORE, the parties agree as follows:

1. The term of this Agreement shall be hereby extended, effective upon Board

approval, for the period January 1, 2012 through September 30, 2012, for the continued provision of Pharmacy Benefit Management (PBM) Services.

2. Paragraph 3. SUSPENSION AND TERMINATION OF AGREEMENT, Subparagraph A. Without Cause Termination, shall be modified to read as follows:

“A. Without Cause Termination: Either party may terminate this Agreement at any time and for any reason, without cause, by giving at least ninety (90) calendar advanced written notice thereof to the other party in accordance with the NOTICES Paragraph below, such termination to occur as of midnight of the last day of the calendar month during which the last day of such ninety (90) day period occurs.”

3. Subparagraph C of Agreement, Paragraph 17, GENERAL INSURANCE REQUIREMENTS, shall be replaced in its entirety to read as follows:

“C. Failure to Maintain Insurance: Contractor's failure to maintain or to provide acceptable evidence that it maintains the Required Insurance shall constitute a material breach of the Contract, upon which County immediately may withhold payments due to Contractor, and/or suspend or terminate this Contract. County, at its sole discretion, may obtain damages from Contractor resulting from said breach. Alternatively, the County may purchase the Required Insurance, and without further notice to Contractor, deduct the premium cost from sums due to Contractor or pursue Contractor reimbursement.”

4. Subparagraph H of Agreement, Paragraph 17, GENERAL INSURANCE REQUIREMENTS, shall be added to read as follows:

“H. Cancellation of or Changes in Insurance: Contractor shall provide

County with, or Contractor's insurance policies shall contain a provision that County shall receive, written notice of cancellation or any change in Required Insurance, including insurer, limits of coverage, term of coverage or policy period. The written notice shall be provided to County at least ten (10) days in advance of cancellation for non-payment of premium and thirty (30) days in advance for any other cancellation or policy change. Failure to provide written notice of cancellation or any change in Required Insurance may constitute a material breach of the Contract, in the sole discretion of the County, upon which the County may suspend or terminate this Contract."

5. Additional Provisions, Standard Contract Provisions, Paragraph 47.

CONTRACTOR'S CHARITABLE ACTIVITIES COMPLIANCE shall be added and shall read as follows:

"47. CONTRACTOR'S CHARITABLE ACTIVITIES COMPLIANCE:

The Supervision of Trustees and Fundraisers for Charitable Purposes Act regulates entities receiving or raising charitable contributions. The "Nonprofit Integrity Act 2004" (SB 1262, Chapter 919) increased Charitable Purposes Act Requirements. By requiring Contractors to complete Certification, the County seeks to ensure that all County contractors which receive or raise charitable contributions comply with California law in order to protect the County and its taxpayers. A contractor which receives or raises charitable contributions without complying with it's obligations under California Law commits a material breach subjecting it to either contract termination or debarment proceedings or both. (County Code Chapter 2.202)."

6. Except for the changes set forth hereinabove, Agreement shall not be changed in any other respect by this Amendment.

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be executed by its Director of Health Services and Contractor has caused this Amendment to be executed in its behalf by its duly authorized officers, the day, month, and year first above written.

COUNTY OF LOS ANGELES

By \_\_\_\_\_  
Mitchell H. Katz, M.D.  
Director

\_\_\_\_\_  
INFORMEDRX, INC.  
Contractor

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

APPROVED AS TO FORM  
ANDREA ORDIN, COUNTY COUNSEL



## CHARITABLE CONTRIBUTIONS CERTIFICATION

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Company Name

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Address

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Internal Revenue Service Employer Identification Number

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California Registry of Charitable Trusts "CT" number (if applicable)

The Nonprofit Integrity Act (SB 1262, Chapter 919) added requirements to California's Supervision of Trustees and Fundraisers for Charitable Purposes Act which regulates those receiving and raising charitable contributions.

**Check the Certification below that is applicable to your company.**

- ☐ Proposer or Contractor has examined its activities and determined that it does not now receive or raise charitable contributions regulated under California's Supervision of Trustees and Fundraisers for Charitable Purposes Act. If Proposer engages in activities subjecting it to those laws during the term of a County contract, it will timely comply with them and provide County a copy of its initial registration with the California State Attorney General's Registry of Charitable Trusts when filed.

**OR**

- ☐ Proposer or Contractor is registered with the California Registry of Charitable Trusts under the CT number listed above and is in compliance with its registration and reporting requirements under California law. Attached is a copy of its most recent filing with the Registry of Charitable Trusts as required by Title 11 California Code of Regulations, sections 300-301 and Government Code sections 12585-12586.

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Signature

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Date

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Name and Title of Signer (please print)